Strategies for Post-Kyoto Global Climate Policy

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Resources for the Future
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Strategies for Post-Kyoto Global Climate Policy

- Current International Framework
- *Architectures for Agreement*
- Harvard Project on International Climate Agreements

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Current International Framework

- UN Framework Convention on Climate Change
- Kyoto Protocol
- Next Steps by the International Community

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UN Framework Convention on Climate Change

- Signed at Earth Summit in 1992
- Ultimate objective:
  - stabilize GHG concentrations at a level to "prevent dangerous anthropogenic interference" with the climate
- "Common but differentiated responsibilities"

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Kyoto Protocol

- Negotiated in 1997; entered into force in 2005
- Sets quantitative targets for industrialized countries for 2008-2012: aggregate cap 5% below 1990 emissions
- Provides flexibility
  - Countries have discretion for domestic policies
  - International emission trading
  - Clean Development Mechanism – project-based trades

Kyoto Protocol: Strengths and Weaknesses

Strengths

- Market-based approach
- Flexibility to comply with commitments
- "Fair" – focuses on wealthiest countries and those most responsible for current GHG concentrations
- Has come into force

Weaknesses

- Three of 5 largest emitters (China, India, Russia) face no constraints on emissions
- US has not ratified
- Potential for "emissions leakage"
- Concerns about emission trading, CDM
- "Short-term" approach
- Incentives for compliance?

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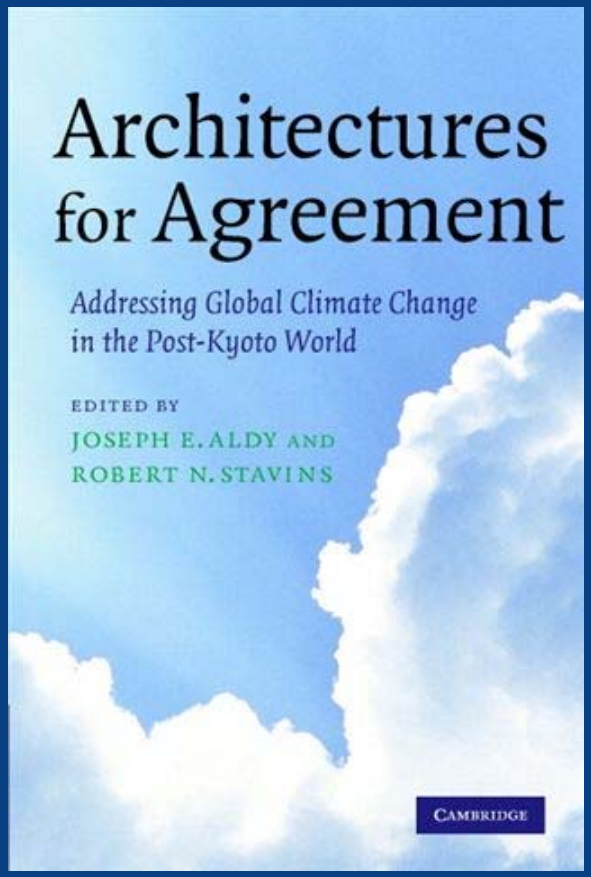
Next Steps

- Kyoto Protocol may have been a good (or bad) first step; everyone agrees that a second step is required
- UN Process
  - Under Framework Convention on Climate Change
  - Post-Kyoto Successor (Bali, December 2007)
- Other Processes
  - Big Economies Meeting (Pres. Bush, September 2007)

Architectures for Agreement

- Presents six alternative visions for post-Kyoto climate policy architecture
- Two commentaries evaluate each proposal
- Foreword by Larry Summers and Epilogue by Tom Schelling
- Introduction of the issue and synthesis of major themes



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Categories of Proposed Architectures

- Targets and timetables
- Harmonized domestic policies
- Coordinated and unilateral policies

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Targets and Timetables I: "An Economist's Kyoto" Jeffrey Frankel

- Cap-and-trade (unspecified caps)
- Quantitative targets set by formulas
  - Formulas account for historic emissions, income per capita, population, other factors
  - Converge in long-term to per capita targets
- Progressive targets – stringency increases with income
- Targets indexed to economic growth for developing countries

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Targets and Timetables II: "Son of Kyoto" Axel Michaelowa

- Long-term, notional goal of atmospheric stabilization of 550 ppm
- Cap-and-trade
  - Commitments are quantitative targets
- Graduation index used to determine when developing countries must adopt targets
  - Function of per capita emissions, per capita income

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Harmonized Domestic Policies I: "Climate Clubs" David Victor

- Allow coordination within various climate clubs
- Acknowledges and builds on current fragmented world
  - Identifies a half-dozen carbon markets
- Integrate energy development in climate policy

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Harmonized Domestic Policies II: "Coordinated National Cap-and-Trade" Warwick McKibbin and Peter Wilcoxen

- National-level cap-and-trade
  - Nations allocate *gratis* perpetual and long-term permits
  - Nations can also sell annual permits at a pre-set price
  - No international trading
- Countries coordinate safety valve prices
  - Agree on sell price for annual permits
- Countries decide their own commitments
  - Long-term permits expire, tightening targets
  - Governments may buy back permits to tighten targets

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Coordinated and unilateral policies I: "Multi-Track Approach" Scott Barrett

- Suite of policies
- Policies and measures for emissions mitigation
- Technology R&D and standards protocols
- Adaptation policies
- Geo-engineering policies

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Coordinated and unilateral policies II: "Pledge and Review" William A. Pizer

- Focuses on domestic politics as constraints on multi-national action
- Bottom-up approach with policy pledge and review
- Pledges on emissions mitigation, R&D, and support of developing countries

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Major Themes from Proposals

- Focus on policy infrastructure instead of goals
  - Precautionary principle vs. BCA vs. political reality
- Market-based implementation supported
  - Harmonization of emission prices can occur through
    - International cap-and-trade
    - National cap-and-trade with coordinated safety valve prices
    - Emission taxes
  - Doubts about value of CDM
  - Can an international system work without a supranational authority?

Major Themes from Proposals

- Need for a “fair” climate policy
  - Graduation, progressive targets for developing countries
  - Integrate with development, trade policies
  - Adaptation merits additional attention
- Promoting participation
  - Engage domestic constituencies
  - Focus on effort, not outputs, through pledge and review
  - Expand negotiations to integrate development, trade
  - Narrow negotiations to small number of key nations

Themes that Emerge from *Architectures for Agreement*

- Broad range of ideas about successor to Kyoto
  - Attempt to address the major failings of Kyoto
- May need a suite of policies beyond emission controls
  - Other climate policies – adaptation, geoengineering
  - Other policies – trade, development
- Challenge in designing a system that can promote participation and cost-effectiveness
- Near-term success may require additional venues, such as G8+5, or similar process

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Harvard Project on International Climate Agreements

- **Goal**: Inform the design of a scientifically sound, economically rational, and politically pragmatic post-2012 international climate policy architecture
- **Method**: Draw upon research & ideas of leading thinkers from academia, industry, government, and NGOs
- **Background**: Builds on 2006 Harvard workshop that highlighted six potential policy frameworks
- **Starting Point:** *Architectures for Agreement* is the foundation for the project

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Harvard Project on International Climate Agreements

- **Stage One** (2007): Use six proposals in book as basis for discussion about post-Kyoto alternatives with relevant stakeholders around the world
- **Stage Two** (2008): Conduct policy and modeling analysis to identify key design elements and develop a small set of promising policy frameworks
- **Stage Three** (2008-09): Explore the key design principles and alternative policy architectures with domestic and international audiences

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Invitation to Participate in the Harvard Project on International Climate Agreements

To get more information about the Project,
sign up for e-alerts, etc.,
please visit the Harvard Project website:
www.belfercenter.org/climate

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